




U.S. AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT

February 26, 1999

MEMORANDUM

TO: AA/PPC, Thomas H. Fox  
AA/M, Terrence J. Brown

FROM: A-AIG/A, Paul E. Armstrong 

SUBJECT: Audit of USAID-Funded Activities in Nonpresence Countries (Audit No. 9-000-99-005-P)

This is our report on the subject audit. The audit was designed to determine whether USAID was able to identify and report on its activities in nonpresence countries.

The report contains two recommendations for your action. In your response to the draft, you stated that you would discuss the time frame for accomplishing any reforms, relating to the recommendations, as you make the necessary management decisions. When you have decided on the corrective actions to address the audit recommendations, please provide them to us and include the anticipated dates for achieving such actions. Since a management decision has not been made on the two recommendations, we would appreciate a response within 30 days of the issuance of this report (March 29, 1999). Your response to our draft report is included in its entirety as Appendix II.

I appreciate the continuing cooperation and courtesies extended to my staff.

---

## Background

USAID's traditional management model is an in-country mission, with resident U.S. and foreign national employees and personal services contractors filling a variety of program and administrative positions. However, USAID is increasingly funding new or continuing activities in countries where it does not maintain resident U.S. direct hire employees-nonpresence countries. For example, of the 21 missions announced by the Administrator for closure in 1993, USAID still has activities in all 21 of them. Activities in these countries are managed by resident contractor staff, USAID personnel in nearby missions and/or one or more of USAID's Washington bureaus. Our 1997 survey showed that.

typically, two to four offices or bureaus managed activities in any given nonpresence country. Our recent work showed three Washington bureaus and two overseas regional offices with activities in Costa Rica and three Washington bureaus and one overseas regional office with activities in Burkina Faso.

Activities in nonpresence countries support a variety of developmental, humanitarian, and/or foreign policy objectives. These activities were either initiated by USAID, or, particularly in the case of activities supporting foreign policy objectives, specifically mandated by legislation or the Department of State. A large, but unknown, percentage of activities are financed by food aid and disaster assistance appropriations and economic support funds. Some examples of nonpresence country programming include:

- cash transfers to Israel;
- scientific research support for Israel;
- food aid to nongovernmental organizations in Iraq, North Korea, and Burkina Faso;
- population **programs in** Turkey;
- democracy programs in Algeria, Oman, and Swaziland;
- labor union support in Cape Verde, Cameroon, and Mauritius;
- American Schools and Hospitals Abroad programs in Israel and Greece;
- regional environmental programs in Costa Rica;
- grants to subsidize private voluntary organizations' ocean freight expenses when they ship privately donated commodities to countries such as Sierra Leone, Fiji, and Vietnam; and
- scores of small grants made by U.S. Ambassadors following natural disasters in their host countries.

Although the above illustrate some examples of nonpresence country activities, it is difficult to estimate the magnitude or scope of nonpresence country programming. First, the number of nonpresence countries fluctuates in response to political, financial, humanitarian, and/or development concerns. Second, USAID managers have been confused about the definition of nonpresence country programming and, as a result, respond to requests for performance and financial information on their nonpresence country activities with incomplete and/or incomparable data.

---

## **Audit Objective**

Our audit was designed to answer the following question:

**Is USAID able to identify and report on its activities in nonpresence countries?**

Appendix I contains a complete discussion of the scope and methodology for this audit.

## **Is USAID Able to Identify and Report on its Activities in Nonpresence Countries?**

USAID officials readily acknowledge that, although individual USAID staff members may be aware of the details of individual activities in nonpresence countries, the Agency is generally unable, quickly or accurately, to identify the location, cost, or other basic data about such activities. There are several reasons, many of which are interrelated, for this situation.

- USAID management has not conclusively decided what information it needs to collect about its activities in nonpresence countries. Nor has it decided who should be responsible for collecting this information. Many issues related to nonpresence programming are controversial, and attempts to reconcile these divergent opinions, so that myriad policy statements can be consolidated into a formal chapter in the agency's automated policy system, have failed. Existing policy statements are difficult to locate, incomplete, and, occasionally, contradictory. As a result, compliance with USAID policies and procedures has been uneven.
- Despite instructions to collect information on their activities in nonpresence countries, some agency managers, particularly managers of regional/global activities, believe that country-specific information is either irrelevant or impossible to collect. They are concerned only that the global/regional goals are being met. They do not request implementing organizations to collect or provide information on the location or cost of individual activities. This issue is not limited to nonpresence country activities, but is a much wider issue relating to all USAID-funded activities.
- Although the agency created a central database to collect data about nonpresence country activities and did request information on an agency-wide basis at least once, the agency did not create a system for ensuring that updated information would be collected and made available to agency managers on a continuing basis. As a result, the current database is not a credible source of information.

The need for country-specific information, even for regional and global activities, is becoming increasingly apparent. Without reliable information on its activities in any given nonpresence country, USAID is unable to, among other things:

- provide information in a timely manner to decision makers who must consider programming strategies and funding alternatives and comply with recent government reform legislation requiring USAID to report on its accomplishments as a prelude to future budget requests;
- ensure that all activities in any given country comprise or support a coherent strategy;

- respond quickly to Congressional and other external requests for data;
- ensure that funds are not spent for activities, which because of their location or purpose, are prohibited by legislation; and
- provide complete and accurate information for U.S. Embassy performance plans.

Because USAID’s current policies and procedures are inadequate for ensuring that needed information on nonpresence country activities is collected and made readily available, we make the following recommendations:

**Recommendation No. 1: We recommend that the Bureau for Policy and Program Coordination:**

- 1.1 consolidate and supplement existing statements on management issues related to nonpresence programming, and**
- 1.2 ensure inclusion of appropriate guidance into the USAID Automated Directives System.**

**Recommendations No. 2: We recommend that the Bureau for Policy and Program Coordination, in collaboration with the Bureau for Management/Office of Budget, issue procedures that will result in the periodic collection of basic information on activities in nonpresence countries and ensure that the resulting information is readily available to USAID managers.**

Based on audit work discussed below, we believe that guidance is needed to:

(1) define the types of activities that are considered nonpresence programming; (2) decide what information on these activities should be collected in a central database; (3) establish a system for periodically updating the database; (4) clarify procedures for approving nonpresence country programming; (5) describe conditions or funding levels that trigger the need for strategic or other consolidated plans for a nonpresence country; (6) clarify how USAID/Washington managers of nonpresence country activities are expected to comply with new anti-drug trafficking regulations in the Foreign Assistance Act (Section 487); and (7) clarify the extent to which managers of activities in nonpresence countries are expected to ensure that their activities are consistent with, and reflected in, U.S. Embassies’ Mission Performance Plans.

**Need to Coordinate and Formalize Policies**

We found that USAID has issued, at various management levels, several policies and procedures that addressed issues related to nonpresence country programming-including the need to collect and report country-specific information. The policies were sometimes

contradictory and it was unclear which ones were still in effect. Many officials were confused about which policies and procedures to follow and some did not know about the policies at all. Not surprisingly, compliance was uneven.

Our 1997 survey report noted that USAID's Automated Directives System (the agency's repository of mandatory and recommended policies and procedures-ADS) included references to activities in nonpresence countries. However, the references were scattered, incomplete, and failed to provide a clear vision of the agency's position on the expansion of such activities and the criteria and processes for proposing and approving new activities.

The situation has become more confusing as USAID's Bureaus for Management (M) and Policy and Program Coordination (PPC) pursue a practice of issuing instructions outside the ADS to address some of the acknowledged holes in the ADS guidance. In the past four years, M and PPC have issued more than a dozen memoranda related, in whole or part, to management of nonpresence programming. These include documents such as:

- policy statements aimed at limiting nonpresence programming,
- instructions for preparing detailed discussions of nonpresence country activities for the fiscal year 1999 Congressional Presentation,
- instructions for preparing fiscal year 2000 budget submissions, and
- instructions for initiating, continuing, and reporting on research activities in nonpresence countries.

There are several problems with this decentralized, memorandum-oriented approach to issuing policy and procedures. Because there is no complete list of such documents, activity managers are never certain of having the most recent or most relevant statement. Some documents are also inconsistent with one another. In addition, despite the proliferation of documents, many issues related to nonpresence programming have not been addressed.

In the absence of centralized procedures, each USAID/Washington bureau has developed its own practices. For example, the Bureau for Europe and the New Independent States (ENI) issued guidance for its activities in post-presence ENI countries. This guidance states that activities will only be funded in post-presence countries when justified in detail and only under exceptional, well documented conditions.

The Advisory Committee on Voluntary Foreign Aid (ACVFA) described the differing approaches adopted by USAID's bureaus in a report released in September 1998.<sup>1</sup> Because ACVFA advocates increased participation of USAID's partners in planning and implementing nonpresence programming, it supports policies or practices that encourage flexibility. However, the ACVFA report also provides support for the position that current guidance, issued during a period when nonpresence programming was considered the exception rather than the rule, may no longer be adequate. For example, the report noted that USAID's Bureau for Asia and the Near East considered USAID's nonpresence policies to be irrelevant to the current environment—three years ago, the bureau was targeting country programs for termination and had activities in only two nonpresence countries. Now it has activities in 11 such countries and more are envisioned.

Some agency guidance has not been enforced and, therefore, has been ignored. For example, an ADS supplement requires that technical offices provide PPC with semiannual lists of all research activities approved for nonpresence countries. One manager of research activities in several nonpresence countries was not aware of this ADS supplement and had never provided the requested information. (Nor had he provided information on these research activities to managers of USAID's database on nonpresence country activities.) The PPC official responsible for issuing the semiannual reports on approved research said he did not follow-up or prepare any reports because he believed that a memorandum issued by M after the ADS supplement effectively negated the supplement.

M and PPC have attempted, during the past two years, to issue a new chapter in the ADS that covers issues related to approving, monitoring, and reporting on activities in nonpresence countries. These efforts have been unsuccessful, largely because there is no agency-wide consensus on issues such as:

- what constitutes a nonpresence country activity,
- the need for standardized criteria and procedures for approving nonpresence activities,
- appropriate planning and accountability standards for nonpresence country activities, or

---

<sup>1</sup>“Existing USAID policy, developed several years ago, is **applied...with** significant variation among, and sometimes within, the Bureaus. [The Bureau for Latin America and Caribbean] gives great consideration to regional and cross-border concerns. [The Bureau for Asia and the Near East] responds to a large extent to foreign policy concerns. [The Bureau for Europe and the New Independent States] has **from** the outset aimed at a transition to non-presence, and has a specifically-defined and systematic approach to decision-making. [The Bureau for Africa's] decision-making is governed to a great degree by funding and **staffing** constraints. [The Bureau for Global Programs, Field Support and Research] affords greater relative priority to global concerns, while approaches and issues differ within the Bureau itself. [The Bureau for Humanitarian Response's] programs are, in major part, **exceptions** to the rule.” ACVFA Report, page 6.

- which, if any, USAID office should take the lead in coordinating, planning, and/or reporting activities in any specific nonpresence country when more than one management unit funds or manages programs there.\*

Recognizing that resolution of these issues was unlikely in the near future, M and PPC sought alternative means of addressing operational issues that exist independently of the difficult policy decisions. For example, in July 1998, an Agency General Notice identified and delegated several administrative and procedural responsibilities to M/Budget and PPC. PPC assumed responsibility for issuing policy statements and maintaining agency files on nonpresence country activities. M/Budget and PPC shared responsibility for reviewing plans for post-presence activities and maintaining a database of nonpresence activities.

In September 1998, PPC issued a paper designed to elicit discussions and decisions on criteria to be used by those considering new nonpresence programming. However, the paper focused on fundamental issues of prioritizing foreign assistance and allocating staffing resources and not on operational issues, such as the “who, what, when, and how” of coordinating activities or collecting budget, financial, and performance data. To ensure that programs in nonpresence countries, regardless of the rationale for their approval, are adequately identified and reported on, we believe that PPC should consolidate and supplement existing policies and procedures relating to the management of nonpresence country activities.

### **Need to Address Bureau Concerns About Country Data for Regional Activities**

Bureaus did not provide, or even develop, country-specific information primarily because of (1) confusion as to what information was required and how and when such information should be submitted and (2) reluctance to spend the time and resources need to disaggregate country-specific data from regional programs. The following illustrates examples of these problems.

- Managers of some regional activities believed that country-specific data could not be collected or was irrelevant in the context of regional programming and, therefore, did not collect it. However, we noted that managers appeared to use this justification even when their “regional” activity was actually a group of similar bilateral programs managed through a regional mechanism for convenience.
- Some USAID officials said that they were prohibited by Office of Management and Budget (OMB) regulations from requiring grantees, which have activities in several countries, to report country-specific financial data. Although one USAID bureau has already requested and received a waiver from OMB and another bureau plans to ask for its own waiver, there has been no effort to request an agencywide waiver, which would appear to be more efficient than requesting waivers one bureau at a time.

---

<sup>2</sup>During the exit conference for this audit, however, USAID officials stated that they had recently decided that the regional bureaus would be responsible for the lead in these areas.

In the absence of waivers, procurement officials suggested that, with sufficient planning, managers could obtain country-specific information by either writing country-specific assistance agreements or by requiring grantees to provide progress reports with country-specific details.

- The manager of World Food Program (WFP) activities in the Bureau for Humanitarian Response (BHR) did not believe that requests for nonpresence programming data applied to WFP activities and, therefore, did not provide any WFP information to the nonpresence country database manager. In addition, although subsequent BHR-produced reports indicated several nonpresence countries that received (1) small grants dispersed by U.S. Ambassadors during national disasters in their host countries, and (2) grants to reimburse private voluntary organizations its ocean freight costs in delivering privately donated commodities, the database did not contain the majority of this information. Because M and PPC have excluded these activities from the special approval requirements for nonpresence country activities, we believe that these activities will be overlooked when identifying and reporting on nonpresence country programs.

### **Need System to Collect and Update Data on Nonpresence Country Activities**

The lack of country-specific information about activities in nonpresence countries is not a new problem. Our 1997 survey report noted that senior USAID managers lacked basic information on the location, purpose, funding source, and cost of nonpresence country activities. As a result, they could not be assured that (1) such programs supported agency goals, (2) the results of all activities were monitored and reported, or (3) existing planning and monitoring standards were appropriate and cost-effective for all categories of nonpresence country activities.

In response to our survey and because USAID's new accounting system was not expected to collect country-specific data to the extent needed by senior managers, M's Office of Management Planning and Innovation (M/MPI) decided to develop a database to collect and store information on nonpresence country activities. However, when USAID's Washington bureaus were asked to provide information to the database manager, the information they supplied was not complete, accurate, or comparable. Furthermore, M/MPI did not establish a system to ensure that bureaus periodically provided updated information. As a result, M/MPI's database never became a reliable or complete source of information on nonpresence programming.

A report based on information in the database illustrates the problem caused by differing definitions of nonpresence country programming. In January 1998, M/MPI prepared a report for senior USAID managers using information in the database. The report listed activities in 44 nonpresence countries with funding totalling over \$757 million. Of this amount, \$120 million represented BHR activities in 24 countries. In contrast, BHR has prepared its own



reports showing that it had provided assistance in 64 nonpresence countries with funds totalling over \$252 million.<sup>3</sup>

The database was also inaccurate and out-of-date. For example, the database listed 21 ongoing activities in Costa Rica with funding exceeding \$42 million. We found that this list included duplicate entries and completed activities. We found only 12 ongoing activities which had an annual cost of about \$745,000. Also, the database indicated that USAID had 15 ongoing activities costing approximately \$18 million in Burkina Faso. We found a different mix of 18 activities, coincidentally also costing about \$18 million annually.

In July, responsibility for maintaining a database on nonpresence country programming was formally delegated to M/Budget and PPC. USAID management has decided that the Agency's geographic bureaus will be responsible for providing information on all nonpresence country programming in their regions, including activities undertaken by G and BHR. Geographic bureau officials agree that they need and should have this information; however, they do not believe they should be held responsible for providing information that they cannot obtain without the cooperation of other bureaus. Geographic bureau managers frequently expressed frustration with what they perceived to be long-standing disregard on the part of G for the information needs of other USAID operating units. Geographic bureau officials complained that G does not request their concurrence for planned activities and also neglects to provide them with information on ongoing activities, even when specifically requested to do so. They also noted that this problem is not limited to activities in nonpresence countries but extends to G activities in presence countries as well.

### **Country-Specific Information is Needed for Several Purposes**

The subject of nonpresence country programming has surfaced with increasing regularity during meetings of senior USAID managers. However, managers are handicapped in framing and prioritizing the issues because available information on the location and scope of such programs is inaccurate and incomplete and, therefore, may be misleading. Others need accurate information as well. For example, it is needed to justify USAID's budget requests, to ensure that USAID does not fund activities that are prohibited by legislation because of their location or purpose, and to help ensure that approved activities support USAID and Department of State objectives and are included in U.S. Embassy country-specific performance plans.

---

<sup>3</sup>The 64 nonpresence countries in the BHR report included countries such as Djibouti, North Korea, The Azores, and Dominica which benefitted from Office of Foreign Disaster Assistance activities, as well as 22 countries which benefitted only from grants under USAID's Ocean Freight Reimbursement Program. (Under this program, USAID reimburses private voluntary organizations the costs they incurred to transport donated commodities, such as medical supplies, agricultural equipment, educational supplies, food, and building equipment, to developing countries.)

## **Information is Needed to Prepare USAID Budget Presentations**

Instructions for the preparation of USAID's fiscal year 1999 Congressional Presentation, which were issued by the Bureau for Legislative and Public Affairs (LPA), required that bureaus prepare narratives for all countries receiving \$1 million or more of bilateral, regional and/or central field support. An LPA official told us that LPA holds the geographic bureaus responsible for determining when the \$1 million threshold has been reached-regardless of the source of or purpose for the funding. However, because of confusion about both the definition of nonpresence country programming and the calculation of country-specific costs and because they lacked information on G and BHR programs in their regions, the geographic bureaus did not identify or prepare narratives for all countries meeting LPA's threshold. This omission resulted in some anomalies in the fiscal year 1999 Congressional Presentation. For example, the Congressional Presentation:

- included a country narrative for Guyana, a presence country with a strategic plan but with the relatively small estimated budget of \$2,800,000 for fiscal year 1998;
- did not include a country narrative for Burkina Faso, a nonpresence country without a strategic plan but with estimated annual expenditures of about \$18 million;
- did not include a country narrative for Sudan, a nonpresence country without a strategic plan but which had received, in fiscal year 1998, food assistance costing about \$68 million per year to ameliorate long-term "emergency" conditions;
- included a country narrative for Israel, a nonpresence country with annual funding in excess of \$1 billion, but the narrative and funding descriptions did not cover all USAID activities.

Internal guidance for preparing other USAID budget documents also required bureaus to collect and submit data on nonpresence country programming. For example, guidance for preparing fiscal year 2000 budget submissions stated the following:

For non-presence countries M/MPI has developed a database to which all bureaus have access and which provides the best estimate to date of non-presence programming. Using this database as a starting point, bureaus should provide their best estimate of future non-presence programming requirements for FY s[fiscal years] 1999-2000....Bureau narratives must also include a separate discussion on non-presence programs as appropriate, specifically reporting on results from such programs....BHR and G must also identify, by country, where their funds are going together with associated OE[operating expense] and/or workforce requirements.

We reviewed fiscal year 2000 budget submissions prepared by the four geographic bureaus to determine whether the submissions included country-specific information on 25

judgmentally selected nonpresence countries. We found that the submissions included information on only 4 of the 25 selected nonpresence countries. In addition, neither BHR nor G presented any country-specific information in their budget submissions.

USAID budget officials said they had included the requirement for data on nonpresence countries in their budget submission guidance because they received frequent requests for country-specific data from OMB, Congress, and senior USAID managers. However, because of time constraints and higher priorities, these officials said that they were unable to follow-up when the information was not submitted.

### **Information is Needed to Comply with Anti-drug Trafficking Regulations**

Although USAID recently issued guidelines to help its managers comply with new anti-drug trafficking regulations (Section 487 of the Foreign Assistance Act), the guidelines do not address issues particular to nonpresence programming. As a result, managers of nonpresence country activities may not know to comply with this section of the Foreign Assistance Act.

Department of State regulations, effective October 5, 1998, imposed new responsibilities on agencies intending to provide certain categories of assistance. Specifically, Section 487 requires agencies to take reasonable steps to ensure that assistance under the Act is not provided to, or through, drug traffickers, persons with narcotics convictions, or persons reasonably suspected of drug trafficking.

The regulations apply to most participant trainees and to “first-tier” recipient organizations or individuals receiving or providing more than \$100,000 in **USAID-funded** covered assistance. However, the procedures apply differently to different categories of recipients. Prior to obligating funds, operating units must review certain participant trainees and “key individuals” of recipient entities. In addition, “key individuals” of certain entities and covered participants must certify that they are not, and have not, been involved in drug trafficking before assistance is provided. Furthermore, **USAID** must add special clauses to certain **USAID-financed** agreements and contracts. The requirements for review, certifications, and clauses apply as a routine matter to assistance in “covered” countries. They apply to assistance in other countries only if there are reasonable grounds to suspect current or past involvement in drug trafficking or conviction of a narcotics offense.

Several nonpresence countries have been declared “covered” countries: Afghanistan, Burma, China, Vietnam, Laos, Malaysia, Venezuela, Thailand, and Belize. Because the Act exempts assistance of less than \$100,000, managers of activities in covered and certain other countries will need accurate, advance, information on the amount of funding that recipients are expected to spend in a covered country in order to comply with this law. In addition, managers will need background information on certain key individuals and covered participants. Managers must refer all required information to a designated U.S. Embassy official for review. The referral must take place at least 14 days before obligating any funds for the proposed activity.

Two problems discussed earlier in this report—lack of readily available information on the location and cost of nonpresence programming and the lack of a single focal point responsible for coordinating activities in/for any specific nonpresence country—will make compliance with these new regulations and guidelines more difficult for managers of activities in nonpresence countries. For example, under current conditions, managers are unlikely to have the estimated cost data needed to tell whether recipients with regional programs will trigger thresholds in covered and certain other countries. In addition, although, the guidelines state that USAID operating units are responsible for obtaining needed information and providing it to responsible Embassy officials, it is not clear whether Washington bureaus, including G and BHR, are expected to contact the relevant Embassy officials individually or whether they should submit this information through the geographic bureau's country desk officer. We believe additional guidelines are needed to resolve these and other issues specific to nonpresence country programming.

### **Information is Needed to Comply with Legislative Restrictions**

USAID also needs information on the location and types of activities funded in nonpresence countries to ensure that managers do not obligate or spend funds for activities which are prohibited by legislation or require special waivers or certifications. For example, the Foreign Assistance Act prohibits assistance to a government that has been in default for more than one calendar year on any foreign assistance loan.

To ensure that managers are aware of all applicable limitations, Chapter 200 of the ADS advises USAID/Washington Country Desk Officers, in consultation with the Department of State Country Desk Officer, to prepare annual country-specific checklists. To determine whether checklists had been prepared for nonpresence countries, we contacted the desk officers for 25 nonpresence countries and asked whether they had prepared checklists in 1998. We found that they had prepared checklists for only 3 of the 25 nonpresence countries. The primary reason why desk officers did not prepare checklists was because they believed that USAID policy did not require a checklist if there was no bilateral agreement between the U.S. government and the respective country.

We also asked three of the attorneys in the Office of General Counsel whether they had prepared checklists for nonpresence countries. Only one of those contacted had prepared any sort of checklist. His office prepared an annual update of sanctions for countries covered by the geographic bureau to which he was assigned. The other attorneys said that, even though they had not prepared formal checklists, they kept abreast of legislative restrictions and, if asked for advice or clearance, they could/would determine whether planned activities were allowable. However, absent this consultation, there was a general lack of readily available or definitive information on the legislative restrictions applicable to nonpresence countries.

## **Information is Needed For Department of State Performance Plans**

All U.S. government agencies operating in any particular foreign country are expected to participate in the development of the U.S. Embassy's Mission Performance Plan (MPP). According to Department of State guidance, **MPPs** are expected to "...form a basis for the Congressionally mandated annual performance plans of the Department of State and other agencies." USAID has not issued detailed guidance that advises managers of activities in nonpresence countries how they should participate in MPP reviews. As a result, there is a risk that USAID's activities will not be (1) linked to the U.S. national interests identified for those countries and/or (2) included in the **MPPs**. For example, our review of 24 **MPPs** of nonpresence countries, prepared by U.S. Embassies in 1998, indicated that the majority of **USAID-funded** activities were not captured in these documents.

In January 1998, USAID issued guidance for preparing fiscal year 2000 Results Reviews and Resource Requests (**R4s**). The instructions were intended to ensure that, in any given country, resources are concentrated on the highest U.S. **priorities**.<sup>4</sup> They stated that:

Traditionally, **MPPs**, prepared by full country teams and incorporating USAID programs, have defined U.S. priorities in a given country. It is expected that **MPPs** will continue to play this role and that they will be developed with the full participation of all USG agencies at post....USAID will participate in MPP reviews for countries in which it has active programs....USAID operating units are asked to link their objectives to the U.S. national interests [that] the full mission seeks to serve and to identify the priority ranking of the U.S. national interests being served by the full country program.

A draft paper on nonpresence country programming, circulated by PPC in September 1998, specifically instructed managers of activities in nonpresence countries to participate in MPP reviews.

The agency's fiscal year 2001 R4 guidance cable, issued in January 1999, reiterated the need for USAID involvement in the preparation of **MPPs** and assigned responsibilities to PPC and USAID's regional bureaus for ensuring that coordination with the Department of State takes place:

USAID missions are expected to be integral participants in preparing the MPP.. .. USAID will be a full participant in MPP reviews for all countries that receive, or propose receiving, USAID funding.. .. PPC... is the principal contact point...on **MPP/R4** coordination and will assist in addressing questions that may arise related to guidance. Regional bureaus will have the lead in coordinating R4 and MPP reviews with their State counterparts.

---

<sup>4</sup>Some managers believed that PPC should clarify the extent to which the R4 can and should be used as the vehicle to request, obtain, and document approval of nonpresence country programming, particularly in view of plans to revise and streamline that document.

As discussed earlier in this report, activities in most nonpresence countries are approved piecemeal, as part of plans and R4s prepared for other countries or regional or global programs.’ However, these plans and R4s rarely provide country-specific details and, therefore, cannot be used as the primary source of information on USAID’s activities in any specific nonpresence country. As a result, although the fiscal year 2001 R4 guidance cable makes USAID’s regional bureaus responsible for coordinating USAID’s participation in the MPP process for all countries in their regions, the cable does not resolve the bureaus’ dilemma that they are not provided and do not have ready access to information on activities in their regions that are funded and managed by other bureaus, particularly G. Regional bureau officials repeatedly noted that this problem extends to central bureau activities in presence countries as well as nonpresence countries.

---

## **Management Comments and Our Evaluation**

PPC reviewed our draft audit report and agreed with all findings and recommendations. PPC’s written comments provided additional details on the obstacles USAID faces in programming and tracking USAID-funded activities in nonpresence countries and they identified some of the actions being taken to overcome these obstacles. PPC stated that it had not yet decided on the corrective actions necessary to address the audit recommendations. Therefore, no management decisions had been made by the date of this report. We agree that USAID has some significant challenges to conquer before it can reach its goal to identify and report on its activities in nonpresence countries. We hope that in deciding on the corrective actions necessary to overcome these obstacles, that USAID will consider the various user needs for country-specific information and the varying and extremely diverse nature of the activities themselves.

M deferred to PPC and elected not to respond to the draft report. PPC’s response to our draft audit report is included in Appendix II.

---

<sup>5</sup>The Agency’s fiscal year 2001 R4 guidance cable, issued January 1999, notes that the number of USAID-funded activities in nonpresence countries is creating increased management vulnerability and demands for more country level R4-like reporting and reports. The guidance also states that three ENI nonpresence country programs already have full R4s prepared every year.

# **SCOPE AND METHODOLOGY**

---

## **Scope**

We audited the **USAID-funded** activities in nonpresence countries to determine if **USAID** was able to identify and report on its activities in these countries. Audit work was done in Washington with the Bureau for Global Programs, Field Support and Research, the Bureau for Latin America and the Caribbean, the Bureau for Africa, the Bureau for Asia and the Near East, the Bureau for Europe and the New Independent States, the Bureau for Legislative and Public Affairs, the Bureau for Humanitarian Response, the Bureau for Policy and Program Coordination, and the Bureau for Management. Work was also done in Costa Rica and Burkina Faso with activity implementors and recipients, and Guatemala City, Guatemala with the **USAID** office of Guatemala-Central American Programs (G-CAP) and Abidjan, Cote d'Ivoire with the **USAID** office of Family Health and Aids in West and Central Africa (FHA/WCA). All work was done in accordance with generally accepted government auditing standards during the period February 24, 1998 through January 4, 1999.

---

## **Methodology**

To accomplish the audit objectives, we reviewed program documents and made site visits to **USAID/G-CAP, FHA/WCA**, and selected activity sites in Costa Rica and Burkina Faso. We reviewed the Resource Requests and Results Reports, budget documents, Mission Performance Plans, **USAID's** 1999 Congressional Presentation, progress reports, site visit reports, implementation documents, audit reports, and other planning, monitoring and reporting documents.

We interviewed **USAID** officials in Washington, as well as those in Guatemala and Cote d'Ivoire. We also interviewed selected Grantee and Contractor personnel in Costa Rica, Cote d'Ivoire, Guatemala, Burkina Faso and Washington, and selected Department of State officials in Washington, Costa Rica and Burkina Faso. In Costa Rica and Burkina Faso we also visited selected activities implemented with **USAID** funds to determine if, in general, the activities were ongoing and working towards the purposes planned for and reported on. In

addition, we obtained and reviewed program documentation and analyzed data when appropriate.

We did not perform the audit work necessary to verify, in any detail, the results of activities as reported by USAID and/or implementors. From site visits, we were able to get a general assessment on whether activities were working towards achieving planned goals and whether recipients and/or implementors believed that they would be successful.

---



MANAGEMENT  
COMMENTS



U.S. AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT  
*Assistant  
Administrator*

February 18, 1999

MEMORANDUM

**TO:** Acting **AIG/A**, Paul Armstrong  
**FROM:** **AA/PPC**, Thomas H. Fox *THF*  
**SUBJECT:** Audit of **USAID** Activities in Nonpresence  
Countries (Report No. 9-000-99-00x-W.)

Thank you for giving PPC the opportunity to provide comments on your audit of **VSAID-funded activities occurring in countries where USAID does not have a direct hire presence---country programs generally referred to as "nonpresence countries ."** **OIG**, and particularly the staff who completed this audit, are to be commended for a thorough treatment of this complex matter. **Xnsights** provided in this audit will serve PPC and the entire Agency well as we seek to remedy the problems identified by the report. **We are currently taking a number of steps to move us towards an early resolution of the two recommendations contained in the report.**

OBSTACLES TO **PROGRAMMING & TRACKING USAID-FUNDED** ACTIVITIES IN NONPRESENCE COUNTRIES

The background section of the subject audit provides an excellent short description of **USAID's development mission** and lists ten varied types of assistance programs **typically found** in nonpresence countries. This description illustrates the complexity of programming and tracking activities in countries where we have no US Direct Hire Staff. The magnitude, scope and variety of such programs, which are often budget earmarks, make **them difficult to track** within the funding constraints currently facing the Agency for International Development. While we recognize that improvements need to be made in tracking nonpresence activities we are hampered by additional obstacles previously identified in reports from the Office of the

1300 PENNSYLVANIA AVENUE, N.W.  
WASHINGTON, D.C. 20523

Inspector General and the General Accounting Office. such obstacles often apply to both presence and nonpresence country situations. A major obstacle is the lack of an off-the-shelf accounting system which can handle cost-accounting and program tracking in the complex international environment in which USAID works. Another is USAID's traditional heavy focus on "presence" countries with "on the ground" staff. Several recently enacted federal regulations also deter USAID from gathering appropriate data from grantees working in nonpresence countries. One good example of this is the OMB Paperwork Reduction Act (44USC 3501), which, in prescribing how form SF269 is to be Used, effectively prohibits USAID from seeking detailed country expenditure and program results data from grantees.

#### ACTIONS BEING TAKEN TO OVERCOME OBSTACLES

To achieve adequate management, programming and tracking of activities in nonpresence countries PPC and the Management Bureau are taking a number of steps to address the issues identified in the subject audit. Actions include:

- Revamping USAID's R4 procedures to pave the way for greater attention to future nonpresence programs.
- Using the Operation's-Governance Group (and web site) to coordinate significant redesign and rewriting of portions of the ADS which include references to nonpresence programming and tracking.
- Rewriting the ADS 200 series (for which PPC is the primary author) to fully integrate policy, goals and operational procedures for nonpresence country programs, that will result in the periodic collection of basic information on activities in nonpresence countries.
- Continuing to work with the Management Bureau to facilitate design and improvement of computer and software systems to ensure that information about activities and expenditures in nonpresence countries is readily available to USAID managers. This effort will be linked with the cost-accounting systems originating in the GMRA requirements.

**USAID RESPONSIBILITIES**

**PPC** will take the lead in closing the recommendations included in this audit, with significant input **from** the Management Bureau and assistance from other central and regional **USAID** bureaus in Washington. As we agree upon management decisions about these recommendations we will discuss with the Office of the Inspector General the likely time frame for accomplishing the reforms that will be necessary to address the important findings of this audit.